

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ATHENS

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 021512

E.O. 11652: GDS

TAGS:EFIN, PFOR, ACLM, GR, GW, US

SUBJECT:FRG/GREEK AGREEMENT FOR SETTLEMENT OF WORLD WAR I
CLAIMS

REF: (A) ATHENS 450; (B) STATE 011248

1. EMBASSY REQUESTED TO APPROACH GREEK FOREIGN OFFICE AT
APPROPRIATE LEVEL AND STATE THAT USG IS NOT IN A POSITION
TO GIVE ITS APPROVAL TO THE GREEK/GERMAN SETTLEMENT IN
PRESENT CIRCUMSTANCES. EMBASSY REQUESTED TO MAKE FOLLOWING
POINTS.

2. UNDER ARTICLE 19 OF THE LONDON DEBT AGREEMENT ANY
SETTLEMENT OF THE GREEK/GERMAN MIXED ARBITRAL TRIBUNAL
CLAIMS REQUIRES THE APPROVAL OF THE US, U.K. AND FRANCE.
IN GIVING SUCH APPROVAL GOVERNMENTS MAY CONSIDER THE NON-
DISCRIMINATORY, NONPREFERENTIAL NATURE OF ANY SETTLEMENT,
ITS FAIRNESS, AND WHETHER IT CONFORMS TO THE LONDON DEBT
AGREEMENT. THE AMERICAN LAWYERS CLAY, HAUSER AND ARMENAKIS
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HAVE URGED IN THEIR BRIEF (W;ICH THEY SUBMITTED TO THE

DEPT. AND WHICH HAS BEEN FORWARDED TO THE GREEK GOVT) THAT THE ASSIGNMENT OF 10 PERCENT OF THE SETTLEMENT FALLS UNDER PARA 8(E) OF ANNEX I WHICH PROVIDES FOR THE PAYMENT OF THE FEES OF CREDITOR'S REPS; THAT SUCH ASSIGNMENT IS REQUIRED TO BE RECOGNIZED BY THE DEBTOR; THAT THE ACTION OF THE DEBTOR AND CREDITOR IN CANCELLING THE ASSIGNMENT IS A MATTER WHICH INVOLVES THE QUESTION OF CONFORMITY OF THE SETTLEMENT WITH THE LONDON DEBT AGREEMENT; THAT THE STATE

DEPT. SEEK AN ADVISORY OPINION ON THIS MATTER UNDER ARTICLE 28 OF THE LONDON DEBT AGREEMENT. IN THIS CONNECTION THEY HAVE ALSO URGED THAT THE QUESTION OF FEES AND THE ARRANGEMENTS MADE THEREFOR ARE PART OF THE SETTLEMENT, THUS MATTERS TO BE CONSIDERED BY THE US IN GRANTING APPROVAL, AND THAT THE WITHDRAWAL OF THE UNQUALIFIED ASSIGNMENT OF 10 PERCENT CONSTITUTES AN ILLEGAL CONFISCATION OF AMERICAN PROPERTY TO WHICH THE US SHOULD NOT GIVE ITS APPROVAL. THE DEPT. AFTER FULL CONSIDERATION OF THE BRIEF, THE VIEWS OF THE GREEK GOVT, AND THE LONDON DEBT AGREEMENT CONSIDERS THERE IS MERIT IN THE POSITION OF THE AMERICAN ATTORNEYS..

3. FYI: EVEN IF THE MATTER OF LAWYERS FEES WAS NOT CONNECTED TO THE GREEK/GERMAN SETTLEMENT IN THE WAY URGED BY THE AMERICAN LAWYERS THE DEPT. WOULD HAVE THE PROBLEM OF WHETHER IT SHOULD NOT USE THE LEVERAGE, WHICH COMES FROM THE ABILITY TO DENY THE APPROVAL, TO BRING ABOUT A PROTECTION OF THE AMERICAN INTERESTS WHO OBVIOUSLY HAVE BEEN PREJUDICED BY THE CANCELLATION OF THE UNQUALIFIED OBLIGATION TO PAY 10 PERCENT. IN THIS CONNECTION IT SHOULD BE NOTED THAT RECENTLY CONGRESS BLOCKED A CZECH SETTLEMENT OF US CLAIMS WHEN IT CONSIDERED THAT THE DEPT. HAD NOT EXERCISED ITS LEVERAGE FULLY AS ONE OF THREE MEMBERS OF THE TRIPARTITE GOLD COMMISSION (US, U.K., FRANCE) TO DENY GOLD DUE TO CZECHOSLOVAKIA UNDER THE PARIS REPARATION AGREEMENT AND THUS HAD NOT ELICITED FROM THE CZECHS A MORE SATISFACTORY SETTLEMENT FOR AMERICAN CLAIMANTS IN THE ENTIRELY UNRELATED MATTER OF EXPROPRIATION CLAIMS. END FYI.

4. AMERICAN LAWYERS HAVE BEEN PRIME MOVERS IN WHOLE
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MATTER OF SEEKING A SETTLEMENT WITH THE GERMANS ON THE WORLD WAR I GREEK CLAIMS. THEY ARE THE DOMINANT PARTY IN INTEREST AND PLEWNIA HAS BEEN MERELY FRONT MAN THEY BROUGHT INTO GROUP OF LAWYERS PURSUING THE MATTER. GREEKS ARE AWARE OF DOMINANT INTEREST OF AMERICAN LAWYERS BY REASON OF PAST DEALING WITH THEM AND ALSO FACT THAT AMERICAN LAWYER CLAY APPEARS AS CO-COUNSEL WITH PLEWNIA IN OFFICIAL DECISION OF ARBITRAL TRIBUNAL. THUS AMERICAN

INTEREST IN MATTER IS INDUBITABLE AND KNOWN, AND IT IS NOT MATERIAL THAT ASSIGNMENT CONTRACT IS NOMINALLY WITH PLEWNIA.

5. IT IS NOT CORRECT TO SAY, AS STATED BY LAGAKOS, THAT PLEWNIA HAS RAISED NO OBJECTION OVER PAYMENT PROVISIONS. WHEN PLEWNIA RECEIVED JUNE 5, 1974 LETTER FROM AMB. ROUSSOS OF GREEK MINISTRY OF FOREIGN AFFAIRS THAT GREEK GOVT WOULD "ABIDE BY ITS COMMITMENTS IN CONFORMITY WITH ITS LEGAL AND OTHER DOMESTIC REGULATIONS", PLEWNIA WROTE JULY 2, 1974 TO AMB. ROUSSOS SETTING FORTH THAT ORIGINAL DECISIONS OF GREEK GOVT ON ASSIGNMENT OF 10 PERCENT OF SETTLEMENT FOR FEES WERE UNQUALIFIED AND REQUESTED CLARIFICATION FROM AMB. ROUSSOS AS TO SCOPE OF "LEGAL AND OTHER DOMESTIC REGULATIONS". AMB. ROUSSOS CURTLY REFUSED IN JULY 6, 1974 LETTER TO MAKE ANY CLARIFICATION. SITUATION WAS THUS LEFT THAT UNQUALIFIED OBLIGATION IN DECISIONS TO PAY THE 10 PERCENT WAS SUBSEQUENTLY QUALIFIED BY LETTER OF AMB. ROUSSOS.

6. THE DEPT. HAS HOPED THAT AN AMICABLE AGREEMENT WOULD BE WORKED OUT BY THE GREEK GOVT WITH THE AMERICAN LAWYERS INVOLVING THE USE OF A GERMAN BANK AS A KIND OF ESCROW AGENT. THIS SOLUTION WOULD HAVE INVOLVED THE GERMAN GOVT DEPOSITING THE \$18.5 MILLION IN A GERMAN BANK TO A GREEK GOVT ACCOUNT AND THE GERMAN BANK RECEIVING AN IRREVOCABLE ORDER FROM THE GREEK GOVT TO TRANSFER \$1.85 MILLION TO PLEWNIA. THIS SOLUTION WOULD HAVE ACCOMMODATED THE GERMAN UNWILLINGNESS TO MAKE A DIRECT PAYMENT TO THE LAWYERS AT THE SAME TIME AS IT WOULD HAVE ASSURED THAT THE \$1.85 MILLION IN FEES WOULD NOT HAVE TO GO BACK TO GREECE AND BE SUBJECT THERE TO THE LAWS, REGULATIONS, AND CONFIDENTIAL

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INTERNAL PROBLEMS OF THE GREEK GOVERNMENT. THIS LAST FEATURE WOULD HAVE ACCORDED WITH THE UNQUALIFIED NATURE OF THE ASSIGNMENT, WHICH ALSO DID NOT SUBJECT THE FEES TO THESE LAWS, REGULATIONS AND INTERNAL PROBLEMS.

7. AS STATED PREVIOUSLY, THE BANK SOLUTION IS OUR PREFERRED SOLUTION AS IT IS THE CLOSEST TO FULFILLING THE OBJECTIVES OF THE DECISIONS GRANTING THE ASSIGNMENT. IF THE GREEK GOVT FOR SOME REASON CONSIDERS THAT IT IS NOT ABLE TO GO FORWARD ON THIS SOLUTION WE WOULD BE PREPARED TO CONSIDER THE ACCEPTABILITY AS A SOLUTION OF THE GREEK GOVT FURNISHING US WITH AN UNQUALIFIED STATEMENT ASSURING THE USG THAT IT WILL MAKE THE PAYMENT AND FULFILL THE OBLIGATIONS ARISING OUT OF THE DECISIONS TAKEN IN 1968 AND 1970. WE WOULD UNDERSTAND THIS TO MEAN IN EFFECT THE

WITHDRAWAL OF THE QUALIFIED LETTER OF JUNE 5, 1974 OF AMB. ROUSSOS.

8. IN CONNECTION WITH THE RIGHTS OF CLAIMANTS WHO ARE SUCCESSORS IN INTEREST TO THE ORIGINAL GREEK CLAIMANTS WE ARE SATISFIED WITH THE PREVIOUS ASSURANCE THAT THERE WILL BE NO DISCRIMINATION BETWEEN AMERICAN CITIZENS AND GREEK CITIZENS. WITH RESPECT TO GIVING ADEQUATE NOTICE WE WOULD URGE THE GREEK GOVT, IN ADDITION TO NOTICE BY PUBLICATION, TO GIVE NOTICE BY LETTER TO THOSE WHOSE ADDRESSES ARE KNOWN. WE VIEW THIS AS A MINOR MATTER WHICH SHOULD NOT CAUSE ANY DIFFICULTY.

9. IF GREEKS SHOULD RAISE IN COURSE OF YOUR DISCUSSION THEIR PRESSURES FROM GREEK CLAIMANTS TO SECURE PAYMENTS OF \$18.5 MILLION EMBASSY COULD INDICATE THAT WE ARE AWARE OF THE NEED OF BRINGING ABOUT AN EXPEDITIOUS RESOLUTION OF THIS MATTER BUT THAT WE MUST TAKE INTO ACCOUNT NOT ONLY THE POSITION OF THE CLAIMANTS BUT ALSO THE POSSIBILITY OF CONGRESSIONAL DISSATISFACTION ARISING FROM THE FAILURE OF THE STATE DEPT. ADEQUATELY TO PROTECT THE INTERESTS OF THE AMERICAN LAWYERS CONCERNED. KISSINGER

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